

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7365

BILL NUMBER: SB 419

NOTE PREPARED: Feb 17, 2011

BILL AMENDED: Feb 15, 2011

SUBJECT: Sales Tax Exemption for Farm Drainage Systems.

FIRST AUTHOR: Sen. Kruse

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill provides that a component of a farm drainage system is exempt from Sales Tax if it is acquired by a person that is occupationally engaged in agricultural production. It provides that equipment that is predominantly used to install or repair a farm drainage system is exempt from Sales Tax if the equipment is acquired by a person that is occupationally engaged in agricultural production.

Effective Date: July 1, 2011.

Explanation of State Expenditures: *Department of State Revenue (DOR):* This bill will result in an increase in administrative costs for the DOR by requiring the DOR to revise Sales Tax forms as well as update computer software to incorporate the exemption. It is estimated that the DOR will be able to implement this provision with its existing level of resources.

Explanation of State Revenues: (Revised) *Impact on Sales Tax Revenue:* This bill would decrease Sales Tax revenue by an indeterminable amount. The bill exempts from Sales Tax a component of a farm drainage system predominantly used to install, repair, or maintain a farm drainage system if the equipment is acquired by a person that is occupationally engaged in agricultural production. The impact on revenue will ultimately depend on the volume of sales of such items. Prices of such equipment could range from \$10,000 to \$400,000.

Sales Tax revenue is deposited in the state General Fund (99.178%), the Public Mass Transportation Fund (0.670%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures:

Explanation of Local Revenues: Local revenues will be impacted to the extent that a local unit receives funds from the Public Mass Transportation Fund, the Commuter Rail Service Fund, or the Industrial Rail Service Fund.

State Agencies Affected: DOR.

Local Agencies Affected: Local units.

Information Sources: Ron Schlatter, Schlatters Inc, 219-567-9158.

Fiscal Analyst: Diana Agidi, 317-232-9867.